

FDIC State Profile

Winter 2004

Louisiana

Labor market conditions in Louisiana improve slowly.

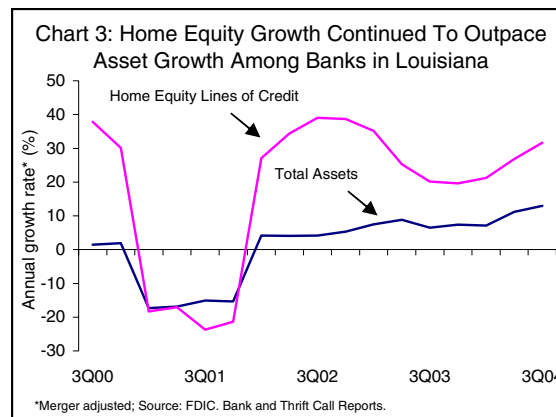
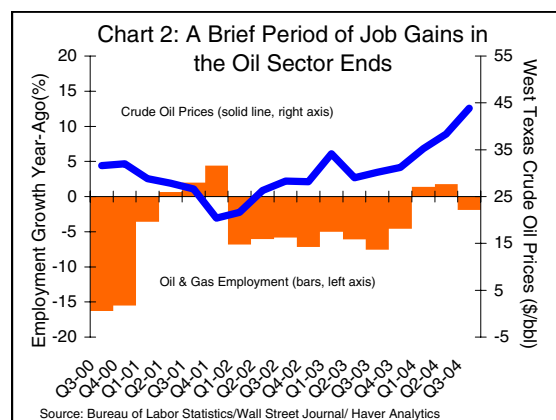
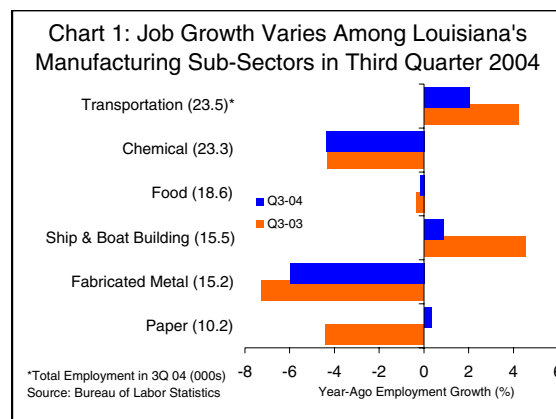
- Although job growth rates in Louisiana remain well below levels achieved during much of the 1990s, expansion occurred in six of the past seven quarters, with gains in third quarter 2004 being the best of the recent period.
- During the recent quarter, employment growth was strongest in the education and health, retail, and telecommunications sectors. In contrast, job losses occurred in chemicals, construction, oil and gas, and services. A recent report predicts healthy employment growth in the next two years.¹

Manufacturing neither gains nor loses jobs.

- Manufacturing job growth in third quarter 2004 was flat compared with a 3.4 percent decline a year ago. Strength was provided by growth in the automotive and ship and boat building segments (See Chart 1). Auto employment should continue to grow in 2005 as the General Motors Shreveport plant prepares to begin production of the Hummer H3 line.

Gas terminals may aid the chemical industry.

- More than 3,100 chemical industry jobs in the state have been cut in the first three quarters of 2004, and warnings of additional cuts have been issued. The cuts came in reaction to stress primarily caused by a period of lackluster demand followed by historically high natural gas prices, a key input, and rising foreign competition.²
- In recent months, developers launched construction of several liquefied natural gas terminals on the Louisiana coast. These projects should boost short-term construction employment, but more importantly may result in a much lower cost energy source for the local chemical industry.
- Employment in the chemical industry has traditionally been among the state's most attractive job options, with



¹Economists from Louisiana State University and Southeastern University project more than 40,000 new jobs will be added in 2005 and 2006, mainly in transportation equipment and construction.

²As of third quarter 2004, the chemical industry accounted for 15.1 percent of all manufacturing jobs in Louisiana.

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wages far higher than other manufacturing jobs. For example, the chemical industry pays an average weekly wage of \$1,115 compared with \$740 for other manufacturing jobs.

A brief period of job gains in the oil sector ends.

- A jump in employment levels for the oil and gas industry during the first two quarters of 2004 ended in the third quarter, with total employment down approximately 10 percent from the 2004 peak. (See Chart 2).³ This performance appears at odds with the expectations that ongoing high prices for oil and gas would propel employment upward. The extremely active hurricane season in the Gulf and the resulting shutdown of many offshore rigs during the third quarter may partially explain the recent decline in jobs. Numerous forecasts of strong demand and sustained high price levels may result in a return to job growth in coming quarters.

Although overall loan performance improved, consumer finances remain weak.

- Insured institutions in Louisiana recorded the highest median past-due loan ratio in the nation in third quarter 2004, despite a 23 basis point drop from the same period one year ago.
- All major loan categories experienced a decline in their respective past-due ratios, except for the consumer loan category.⁴ This deterioration in performance suggests consumer finances have overcome the effects of the recession. Additional evidence that the finances of Louisiana consumers remain weakened include consumer bankruptcy filings and Mortgage Bankers Association reports on past-due residential loans and foreclosures, all of which are at or very near cyclical peaks.

Louisiana consumers are rapidly increasing home equity loans.

- Louisiana consumers appear to be substituting home equity loans for traditional consumer loans to support their borrowing needs.⁵ While still a relatively small and well performing asset class, home equity lines of credit extended by insured institutions headquartered in Louisiana increased nearly 32 percent from one year ago, compared with only a 13 percent growth rate for total assets (See Chart 3).⁶

³The energy sector accounted for 19 percent of gross state product as of year-end 2001 (most recent data), down from 30 percent at year end 1981.

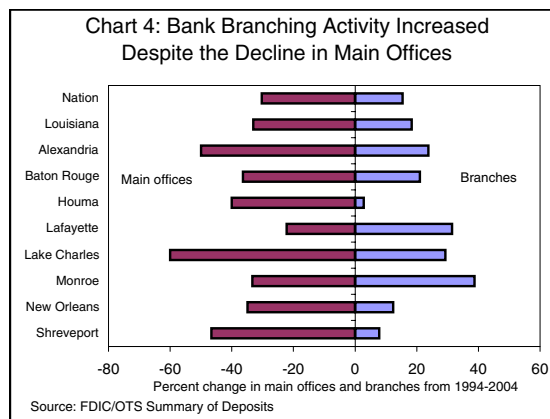
⁴The median consumer past due ratio was 2.81 percent (second highest in the nation), up from 2.65 percent and 2.75 percent one quarter ago and one year ago, respectively.

⁵Merger adjusted consumer loan growth increased 6.3 percent in third quarter 2004 from one year ago, slightly below the quarterly average over the past two years.

⁶Home equity lines represented nearly 2.2 percent of total assets in third quarter 2004; nonperforming and losses remained under 1 percent.

Branching activity in Louisiana's major markets increased over the decade.

- Similar to national trends, consolidation among insured institutions in Louisiana occurred throughout the last decade while branch activity rose. New branch formation was primarily concentrated in the state's metropolitan areas (See Chart 4). Stronger income and employment growth in **Lake Charles, Lafayette, and Monroe** contributed to the increase in the number of branches in those areas.



Louisiana at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	167	171	174	176	183
Total Assets (in thousands)	58,264,189	51,580,082	48,452,077	46,524,157	54,787,849
New Institutions (# < 3 years)	0	0	1	10	14
New Institutions (# < 9 years)	14	16	17	17	18
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	10.12	10.08	10.30	10.11	10.63
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	2.33%	2.55%	2.45%	2.33%	2.19%
Past-Due and Nonaccrual >= 5%	30	32	32	29	21
ALLL/Total Loans (median %)	1.29%	1.31%	1.31%	1.25%	1.27%
ALLL/Noncurrent Loans (median multiple)	1.52	1.39	1.64	1.64	1.57
Net Loan Losses/Loans (aggregate)	0.25%	0.32%	0.37%	0.41%	0.35%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	3	2	0	7	11
Percent Unprofitable	1.80%	1.17%	0.00%	3.98%	6.01%
Return on Assets (median %)	1.12	1.11	1.11	0.99	1.07
25th Percentile	0.80	0.77	0.79	0.67	0.69
Net Interest Margin (median %)	4.45%	4.37%	4.60%	4.36%	4.65%
Yield on Earning Assets (median)	5.72%	6.02%	6.84%	7.98%	8.23%
Cost of Funding Earning Assets (median)	1.42%	1.71%	2.34%	3.66%	3.72%
Provisions to Avg. Assets (median)	0.11%	0.12%	0.13%	0.14%	0.12%
Noninterest Income to Avg. Assets (median)	0.92%	0.94%	0.87%	0.82%	0.78%
Overhead to Avg. Assets (median)	3.47%	3.46%	3.35%	3.37%	3.47%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	75.48%	71.01%	74.75%	72.13%	74.00%
Loans to Assets (median %)	63.97%	61.45%	60.48%	61.30%	61.90%
Brokered Deposits (# of Institutions)	15	15	15	12	10
Bro. Deps./Assets (median for above inst.)	2.39%	1.23%	1.27%	1.51%	2.21%
Noncore Funding to Assets (median)	20.32%	18.37%	19.37%	18.39%	18.36%
Core Funding to Assets (median)	67.42%	68.55%	67.87%	69.38%	69.74%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	120	122	123	125	130
National	14	15	16	16	18
State Member	3	3	3	2	2
S&L	19	20	21	21	21
Savings Bank	9	9	8	9	9
Stock and Mutual SB	2	2	3	3	3
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	90	11,044,664	53.89%	18.96%	
New Orleans LA	29	35,661,241	17.37%	61.21%	
Lafayette LA	21	5,283,589	12.57%	9.07%	
Shreveport-Bossier City LA	8	763,478	4.79%	1.31%	
Baton Rouge LA	8	2,893,271	4.79%	4.97%	
Houma LA	6	772,647	3.59%	1.33%	
Monroe LA	2	512,191	1.20%	0.88%	
Lake Charles LA	2	948,377	1.20%	1.63%	
Alexandria LA	1	384,731	0.60%	0.66%	